

**From the desk of
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Making Large Gifts under the Current Law won't harm estates after 2025

The IRS announced today individuals taking advantage of the increased gift and estate tax exclusion amounts in effect from 2018 to 2025 will not be adversely impacted after 2025 when the exclusion amount returns to pre-2018 levels.

As a result individuals planning to make large gifts between 2018 and 2025 will not be negatively impacted in that they might lose the tax benefit of the higher exclusion level once it decreases after 2025.

Gift and estate taxes are calculated using a unified rate schedule on taxable transfers of money, property and other assets to their heirs, and other beneficiaries.

Any tax due is determined after applying a credit, formerly known as the unified credit, based on an applicable exclusion amount.

The applicable exclusion amount is the sum of the basic exclusion amount (BEA) and other elements (if applicable) described in the proposed regulations.

The credit is first used during life to offset gift tax and any remaining credit is available to reduce or eliminate estate tax.

The TCJA temporarily increased the BEA from \$5 million to \$10 million for tax years 2018 through 2025 with both dollar amounts adjusted for inflation.

For 2018 the inflation-adjusted BEA is \$11.18 million.

In 2026 the BEA will revert to the 2017 level of \$5 million adjusted for inflation.

The proposed regulations now provides a transitional rule that allows the estate to compute its estate tax credit using the higher of the BEA applicable to gifts made during life or the BEA applicable on the date of death.

In essence gifts made from 2018 through 2025 at the higher exclusion amounts will not negatively affect the estate tax calculations after 2025.

Given the new transitional rule this now provides a large planning tool for larger estates which should be considered.

If you should have one of those 1,890 estates that the government tracks that would benefit from the above rules, give us a call as I would appreciate being made a beneficiary, and there is a home in Maui I would like to have.

We here at Muffoletto & Company believe that the more informed you are in regards to the rules and regulations that affect you the more we can be of service.

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